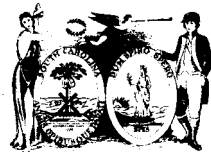


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

January 8, 2003

Mr. Craig G. DeKany, Reimbursement Manager  
HCR – Manor Care  
Post Office Box 10086  
Toledo, Ohio 43699-0086

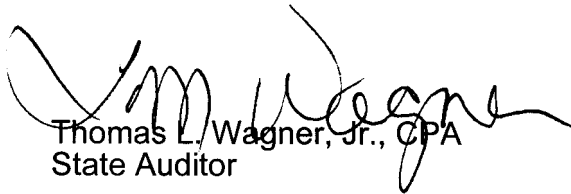
Re: AC# 3-MCC-J0 – Manor Care of Columbia, Inc.

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**MANOR CARE OF COLUMBIA, INC.**

**COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-MCC-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

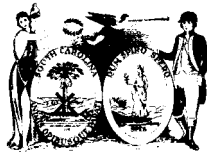
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 6, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Manor Care of Columbia, Inc., for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Manor Care of Columbia, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

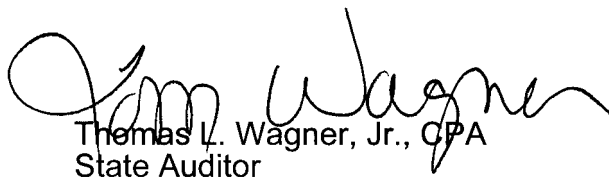
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Manor Care of Columbia, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Manor Care of Columbia, Inc. dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
December 6, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**MANOR CARE OF COLUMBIA, INC.**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-MCC-J0

10/01/01-  
09/30/02

Interim Reimbursement Rate (1)	\$111.41
Adjusted Reimbursement Rate	<u>102.79</u>
Decrease in Reimbursement Rate	\$ <u><u>8.62</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**MANOR CARE OF COLUMBIA, INC.**

Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2001 Through September 30, 2002  
AC# 3-MCC-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.83	\$53.97	
Dietary		9.29	10.74	
Laundry/Housekeeping/Maintenance		<u>6.07</u>	<u>9.23</u>	
Subtotal	\$ <u>5.18</u>	65.19	73.94	\$ 65.19
Administration & Medical Records	\$ <u>-</u>	<u>16.87</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		82.06	<u>\$85.41</u>	76.66
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		.30		.30
Medical Supplies & Oxygen		3.42		3.42
Taxes and Insurance		2.87		2.87
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$91.16</u>		85.76
Inflation Factor (3.80%)				3.26
Cost of Capital				12.09
Cost of Capital Limitation				(3.22)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.18
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.43)
Nurse Aide Staffing Add-On 10/01/00				<u>3.15</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$102.79</u>

**MANOR CARE OF COLUMBIA, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,522,577	\$ 5,937 (9)	\$44,059 (8) 1,705 (8) 87,441 (9) 73,295 (10) 3,475 (10)	\$2,318,539
Dietary	464,864	-	7,829 (3) 7,834 (8) 8,838 (9) 8,275 (10)	432,088
Laundry	54,104	-	3,958 (8) 5,443 (9) 1,878 (10)	42,825
Housekeeping	136,810	6,362 (9) 3,185 (12)	1,172 (8) 3,193 (10) 3,231 (13)	138,761
Maintenance	113,058	2,549 (12)	5,435 (4) 5,962 (8) 315 (9) 1,001 (10) 2,269 (13)	100,625
Administration & Medical Records	807,389	7,272 (7) 10,411 (11) 5,911 (12)	9,405 (9) 8,666 (9) 18,969 (10) 2,612 (10) 5,718 (13) 490 (14)	785,123
Utilities	111,911	5,435 (4) 2,516 (12)	368 (8) 2,627 (13)	116,867
Special Services	13,890	6,336 (9)	5,965 (10) 336 (14)	13,925



**MANOR CARE OF COLUMBIA, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-MCC-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	183,437	2,309 (14)	5,932 (6) 8,744 (7) 7,714 (8) 2,920 (9) 1,369 (10)	159,067
Taxes and Insurance	236,607	5,022 (12)	105,447 (5) 2,828 (13)	133,354
Legal Fees	-	-	-	-
Cost of Capital	404,897	1,811 (1) 18,658 (2) 7,447 (12) <u>148,692 (15)</u>	10,411 (11) 5,935 (13)	565,159
Subtotal	5,049,544	239,853	483,064	4,806,333
Ancillary	114,977	-	-	114,977
Non-Allowable	1,205,220	7,829 (3) 105,447 (5) 5,932 (6) 1,472 (7) 110,039 (9) 120,032 (10) <u>22,608 (13)</u>	1,811 (1) 18,658 (2) 26,630 (12) 1,483 (14) 148,692 (15)	1,381,305
Total Operating Expenses	<u>\$6,369,741</u>	<u>\$613,212</u>	<u>\$680,338</u>	<u>\$6,302,615</u>
Total Patient Days	<u>46,380</u>	<u>146 (16)</u>	<u>-</u>	<u>46,526</u>
Total Beds	<u>133</u>	Cost of Capital Patient Days		<u>46,731</u>

**MANOR CARE OF COLUMBIA, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$233,451	
	Other Equity	313,454	
	Cost of Capital	1,811	
	Accumulated Depreciation		\$546,905
	Nonallowable		1,811
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	18,658	
	Nonallowable		18,658
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	7,829	
	Dietary		7,829
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
4	Utilities	5,435	
	Maintenance		5,435
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable	105,447	
	Taxes and Insurance		105,447
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable	5,932	
	Medical Supplies		5,932
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		

**MANOR CARE OF COLUMBIA, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Medical Records	7,272	
	Nonallowable	1,472	
	Medical Supplies		8,744
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
8	Retained Earnings	72,772	
	Nursing		44,059
	Restorative		1,705
	Dietary		7,834
	Laundry		3,958
	Housekeeping		1,172
	Maintenance		5,962
	Utilities		368
	Medical Supplies		7,714
	To properly charge expense applicable to the prior period		
	HIM-15-1, Section 2302.1		
9	Accrued Salaries	1,430	
	Restorative	5,937	
	Housekeeping	6,362	
	Special Services	6,336	
	Nonallowable	110,039	
	Retained Earnings		7,076
	Nursing		87,441
	Dietary		8,838
	Laundry		5,443
	Maintenance		315
	Administration		9,405
	Medical Records		8,666
	Medical Supplies		2,920
	To adjust salary expense		
	HIM-15-1, Section 2304		

**MANOR CARE OF COLUMBIA, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable	120,032	
	Nursing		73,295
	Restorative		3,475
	Dietary		8,275
	Laundry		1,878
	Housekeeping		3,193
	Maintenance		1,001
	Administration		18,969
	Medical Records		2,612
	Medical Supplies		1,369
	Special Services		5,965
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Administration	10,411	
	Cost of Capital		10,411
	To properly offset income against related expense HIM-15-1, Sections 202.2 and 2304		
12	Housekeeping	3,185	
	Maintenance	2,549	
	Administration	5,911	
	Utilities	2,516	
	Taxes and Insurance	5,022	
	Cost of Capital	7,447	
	Nonallowable		26,630
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**MANOR CARE OF COLUMBIA, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
13	Nonallowable	22,608	
	Housekeeping		3,231
	Maintenance		2,269
	Administration		5,718
	Utilities		2,627
	Taxes and Insurance		2,828
	Cost of Capital		5,935
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Medical Supplies	2,309	
	Administration		490
	Special Services		336
	Nonallowable		1,483
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
15	Cost of Capital	148,692	
	Nonallowable		148,692
	To adjust capital return State Plan, Attachment 4.19D		
16	<u>Memo Adjustment:</u> To increase total patient days by 146 to 46,526		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$1,234,319</u>	<u>\$1,234,319</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MANOR CARE OF COLUMBIA, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>119</u>	<u>14</u>	
Deemed Asset Value	4,432,274	521,444	
Improvements Since 1981	3,707,609	12,128	
Accumulated Depreciation at 9/30/00	<u>(3,141,483)</u>	<u>(77,973)</u>	
Deemed Depreciated Value	4,998,400	455,599	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	289,907	26,425	
Return Applicable to Non-Reimbursable Cost Centers	(6,020)	(549)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>464</u>	<u>55</u>	
Allowable Annual Return	284,351	25,931	
Depreciation Expense	247,108	24,100	
Amortization Expense	11	4	
Capital Related Income Offsets	(9,315)	(1,096)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(5,402)</u>	<u>(533)</u>	<u>Total</u>
Allowable Cost of Capital Expense	516,753	48,406	\$565,159
Total Patient Days (Minimum 96% Occupancy)	<u>41,812</u>	<u>4,919</u>	<u>46,731</u>
Cost of Capital Per Diem	\$ <u>12.36</u>	\$ <u>9.84</u>	\$ <u>12.09</u>

**MANOR CARE OF COLUMBIA, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-MCC-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 4.77	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>8.76</u>	\$ <u>9.84</u>
Reimbursable Cost of Capital Per Diem		\$ 8.87
Cost of Capital Per Diem		<u>12.09</u>
Cost of Capital Per Diem Limitation		\$ <u>(3.22)</u>

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